Cedigaz News Report

www.cedigaz.org

Edited by Thierry Rouaud

Vol. 49, n° 16, July 26, 2010

Contents

Liquefied Natural Gas

Natural Gas Liquids

Natural Gas

LNG

SUPPLIES - IMPORTS – EXPORTS

INDIA: Gujarat Gas and BG India Energy sign deal for LNG supply – CNR/49/16/1
Gujarat Gas Company announced recently that it has entered into an agreement with BG India Energy Solutions for the supply of 0.60 mmscmd of regasified LNG, on a firm basis for the months of July, August and September 2010. (Iris, July 1, 2010)

INDONESIA: Singapore may receive LNG if capacity in excess – CNR/49/16/2
An official at energy watchdog BPMIGAS said recently that Indonesia will offer liquefied natural gas to Singapore's planned receiving terminal as the country has excess capacity. Indonesia's government said it wanted to renegotiate the terms of its natural gas supply contract with Singapore because it wants to keep more gas for the domestic market. Indonesia has a long-term supply deal with financial centre Singapore for 700 billion British thermal unit per day.
The Singapore LNG terminal project will be ready by early 2013. The terminal will have an initial capacity of 3.5 million tonnes per year with provisions to expand it to 6.0 million or more if needed. BPMIGAS' vice chairman Hardiono has previously said Indonesia will have 68 excess cargoes of LNG in 2011 and plans to seek buyers in Asia. (Reuters, July 9, 2010)

JAPAN: Osaka Gas and Shell in agreement for a new long-term supply of LNG – CNR/49/16/3
Osaka Gas Co. Ltd and Shell Eastern Trading Pte. Ltd. (Shell) signed recently a binding Sale and Purchase Agreement (SPA) for the long-term supply of liquefied natural gas. According to the terms of the SPA, Osaka Gas will receive deliveries of LNG from Shell of up to 800,000 tons per annum for 25 years commencing in April 2012. The LNG in this new contract will be supplied from Shell's global LNG portfolio. The initial 5 years of the 25-year term of the contract are a firm supply, and the remaining 20 years are linked to the final investment decision of Prelude LNG Project currently under development by the Shell group in Australia. (Osaka Gas press release, July 7, 2010)

JAPAN: Osaka Gas signs LNG supply deal with Shizuoka Gas – CNR/49/16/4
Osaka Gas recently entered into an agreement with Shizuoka Gas Co., Ltd. on key terms and conditions for sale and purchase of liquefied natural gas. Under the terms of the heads of agreement (HOA), part of LNG to be purchased by Osaka Gas will be supplied to Shizuoka Gas. Transportation of LNG to Shizuoka will be made by the vessels to be arranged by Osaka Gas. The contract duration is 20 years commencing in fiscal year 2014 and the contractual volume of LNG is approximately 300,000 tons per annum. (Osaka Gas press release, June 23, 2010)

THAILAND: LNG supply need before 2014-2015 not fixed – CNR/49/16/5
Chief Executive Prasert Bunsumpun of PTT said recently that the company has not fixed the volume of LNG it wants to buy before 2014-2015, when PTT's floating LNG project in Australia is completed. " Prasert said. "This is a precautionary measure to minimise the risk of gas shortages. Tokyo Gas also has strong bargaining power". PTT would buy LNG in spot markets in 2011-2014 if gas demand exceeds supply, Prasert said. Thailand plans to gradually import up to 5 million tonnes a year after 2011. Thailand uses natural gas as fuel to generate about 70 percent of its electricity. Thailand's natural gas consumption is expected to grow 5-6 percent a year to 4,820 million cubic feet per day in 2014 as several new gas-fired power plants are due to start operations.(Reuters, July 2, 2010)

STORAGE

CHILE: Regional authority approves LNG terminal project in the Eighth Region – CNR/49/16/6

ENAP took an important step forward in the development of the liquefied natural gas regasification plant in Chile's Eighth Region with the obtaining of its approval by the Bío Bío regional environmental authority (Corema), presided by the regional governor, Jacqueline Van Rysselberghe. The project's principal objective is to supply LNG to the Bío Bío refinery and eventually other customers in the Eighth Region, thus supporting the firm demand foreseen for the LNG plant in Quintero.

The Eighth Region LNG plant will be supplied with gas brought from Quintero in specially-conditioned tanker trucks. The plant will be built on a 13-hectare industrial site at Km 442 on the Route 5 South highway at Pemuco in the province of Ñuble. The manager of the Bío Bío refinery, Alfonso Yáñez, said that "it is very important for this refinery to have natural gas as soon as possible. We have available today 30 thousand cubic meters instead of the 500 thousand cubic meters that we ideally need to use.

In a country like ours, having no oil, natural gas should become the fuel that provides security in terms of energy supplies and which also broadens the region's energy matrix". In a first stage, the project consists of the transportation of 600,000 cubic meters a day of LNG to be regasified at the Pemuco plant and consumed by the Bío Bío refinery. In a second stage, the volume could rise to 1,200,000 cubic meters a day, depending on demand in the zone. The installations will consist in a principal platform of 4,500 m^2, comprising:

-Truck unloading stations (6 stations with LNG pumps of 36 m^3/h).
-LNG storage tanks (6 TK 200 m^3).
-Environmental vaporizers (2 batteries of 20 vaporizers).
-LNG pumps (impulsion equipment and 4 pumps 45m^3/h).
-Connection with the Gasoducto del Pacífico pipeline.

The LNG tanker trucks will carry the product. The LNG will then be regasified at the Pemuco plant and injected into the Gasoducto del Pacífico which will carry it to the Bío Bío refinery and later to other end consumers. The construction of the plant will take nine months. (ENAP press release, May 31, 2010)

CHINA: Siemens to supply main refrigerant compressor solution for LNG plant in Dingbian City – CNR/49/16/7

Siemens Energy recently received an order to supply a complete main refrigerant compressor train to China. Purchaser is Shaanxi Zhongyuan Green Energy Natural Gas Company Ltd. The Siemens solution consists of a 0.2 million tons per annum electric-motor driven centrifugal compressor to be installed in a liquefied natural gas plant in Dingbian City, Shaanxi province. Plant start-up is scheduled for the second half of 2011. (Siemens press release, June 30, 2010)

NATURAL GAS LIQUIDS

TRANSPORTATION-DISTRIBUTION

UNITED STATES: Enterprise Products Partners expands pipelines in Eagle Ford Shale play – CNR/49/16/8

Enterprise Products Partners will construct 563 km of new pipeline to expand its natural gas and natural gas liquids pipeline system to accommodate growing production volumes from the Eagle Ford Shale play in Texas. Three additional pipeline segments totalling 270 km will be added to Enterprise's East – West Rich Gas Mainline. The first phase will involve the installation of 42 km of 24 inch diameter pipeline extending the mainline to the far western reaches of the Eagle Ford Shale.

The remaining 228 km, to be built in two segments, will comprise of 30 and 36 inch diameter pipelines that will serve the eastern portion of the Eagle Ford Shale. Upon completion, the Eagle Ford Shale Rich Gas Mainline System and associated laterals will consist of approximately 483 km of pipelines representing gathering and transportation capacity of more than 600 MMcf/d of gas. The east end of Eagle Ford mainline will terminate at a proposed natural gas complex, which will feature multiple processing trains designed for deep ethane recovery and production of mixed NGLs in excess of 60,000 bbl/d.

The project is expected to be completed in early 2012. Takeaway capacity for residue gas from the new processing facility will be provided by a combination of existing Enterprise infrastructure and construction of a new 103 km, 30 inch diameter residue gas line from the cryogenic facility to its Wilson natural gas storage facility in Wharton County, Texas. Enterprise is also planning to add a new NGL fractionator at its Mont Belvieu complex, Texas. Mixed NGLs from the new gas processing facility will be transported to the Mont Belvieu complex via a new 204 km, 12 inch diameter pipeline.

The new NGL pipeline will have an initial capacity of more than 60,000 bbl/d, readily expandable to over 120,000 bbl/d. The project is scheduled for completion early in 2012. (Pipelines International, July 6, 2010)

NATURAL GAS

EXPLORATION – DISCOVERY

BANGLADESH: On exploration in the Bay of Bengal until the dispute resolved with Burma – CNR/49/16/9

Foreign minister Dipu Moni said recently that Bangladesh will not proceed with plans to explore for oil and gas in the Bay of Bengal until a dispute over maritime boundaries with Burma is resolved. In November 2008 the Burmese government effectively sold gas blocks, claimed by Bangladesh, for exploration to a South Korean company. Although Dhaka has said that "resource constraints" in the country warrant immediate exploration, it acknowledges that the dispute must be resolved until any exploration is undertaken. Legal documents have been sent by Bangladesh to the International Tribunal for the Law of the Sea (ITLOS), which is mediating the affair. International law of the sea stipulates that a country's exclusive economic zone (EEZ) stretches 200 nautical miles from the coast. Bangladesh claims ownership of 28 oil and gas blocks, while India and Burma say they have the rights to 17 blocks in the disputed waters of the Bay of Bengal. (Democratic Voice of Burma, July 2, 2010)

CANADA: Waldron Energy reports a third Ricinus Ellerslie discovery well – CNR/49/16/10

Waldron Energy Corporation announced recently a third successful vertical Ellerslie liquids rich natural gas discovery well at Waldron Ricinus 15-10-36-9W5M. The 15-10 vertical well was drilled to a depth of 3,550m and tested at 4.5 MMscf/d at 1,000 psi tubing pressure after fracture stimulation.

The 100% owned 15-10 vertical well is anticipated to be put on production by August 15, 2010. Wells in this analogue Ellerslie pool have produced on average 2.4 BCF per well to date and are projected to recover 5-6 BCF per well and have an average 30% decline in year one. In addition, the liquids recovery is expected to be 32 bbls of natural gas liquids per MMscf with a 12% upgrade in heating value on natural gas pricing. (Marketwire, July 6, 2010)

CHILE: GeoPark announces gas discovery on the Fell Block – CNR/49/16/11

GeoPark Holdings Limited recently provided an update on its drilling activities on the Fell Block in Chile including the successful testing of a new gas discovery at Cerro Iturbe 1 well. GeoPark operates and has a 100% working interest in the Fell Block. Well Cerro Iturbe 1 was drilled and completed to a total depth of 3,094 metres on an undrilled prospect located in the northwest region of the Fell Block. A production test flowed at a rate of approximately 14.6 million cubic feet per day of gas with 137 barrels per day condensate and no water through a choke of 14 millimetres and with a well head pressure of 2,417 pounds per square inch. These are preliminary results and further production history will be required to determine stabilised flow rates from this well. A gas flow line is being constructed and it is expected to connect the well to the main pipeline and marketing infrastructure during July 2010. (Oilvoice, July 6, 2010)

INDONESIA: Eni announces appraisal of Jangkrik gas discovery – CNR/49/16/12

Eni recently appraised the Jangkrik gas discovery in offshore Indonesia, in the Muara Bakau PSC, Kutei Basin, East Kalimantan. The Jangkrik-2 appraisal well is located approximately 70 kilometers from the coast of Indonesia. During the Jangkrik 2 production test, the well produced high quality gas at a tubing constrained rate of 17.5 MMscfd. Eni, through its Indonesian subsidiary, is the operator of Muara Bakau PSC with a 55% interest, with GDF Suez holding the remaining 45% interest in the project.

Following this successful result, the joint venture plan is to proceed quickly with the assessment of the technical and commercial viability of a fast-track development of the gas of the Jangkrik field that will be routed to the Bontang LNG plant. (Eni press release, June 23, 2010)

ROMANIA: Aurelian Oil & Gas tests gas at Climauti-1 well – CNR/49/16/13

Aurelian Oil & Gas announced recently that the Climauti-1 well drilled in the Suceava Block in Romania has tested at a rate of 2.7million scf/d at a flowing tubing head pressure of 30bar. This rate was achieved over a 36 hour test period with a drawdown of only 3.2 bar.

It is estimated that the gross recoverable gas reserves will be 2 bcf over the life of the well and work will start shortly on the installation of a 4km pipeline to the Bilca Gas Plant with first gas expected in the last quarter of 2010. Interests in the Suceava Block are Aurelian Oil & Gas (Romania) SRL 50%, Regal Petroleum PLC 50%. (Aurelian Oil & Gas press release, June 25, 2010)

PRODUCTION

ABU DHABI: Partner for Shah Gas project may be selected in 2010 – CNR/49/16/14

Abu Dhabi may select a partner to help develop the Shah natural gas project in 2010 after ConocoPhillips pulled out. “Normally these things take a long time, from showing interest, to discussing terms and conditions,” said Saif Ahmed al-Ghafli, chief executive officer of Abu Dhabi Gas Development Co. “We’re not going to hold things back, we awarded contracts, we’re committed,” he said. The emirate is seeking to develop reserves of sour gas to meet soaring domestic power consumption. The U.A.E. imports gas from Qatar and is developing nuclear power to meet domestic energy demand, which is expected to double by 2020, according to government studies. The company recently signed four out of five packages for the construction of facilities and pipelines at Shah. Saipem SpA signed two of three contracts while one was signed by Samsung Engineering Co. and another jointly by Tecnicas Reunidas SA and Punj Lloyd Ltd. Shah is technically challenging because hydrogen sulfide must be separated from the gas. The sulfur must be converted into a solid and transported 250 kilometers to the coast for loading on ships and exported. The project, scheduled for completion by the third quarter of 2014, targets processing 1 billion cubic feet of sour gas into 540 million cubic feet a day of fuel. It may also process 4,400 tons a day of natural-gas liquids, 35,000 barrels a day of condensates and 9,200 tons a day of sulfur. (Bloomberg, July 12, 2010)

BANGLADESH: Bapex targets to double Fenchuganj gas production – CNR/49/16/15

Bangladesh Petroleum Exploration and Production Company (Bapex) plans new drilling at its Fenchuganj gas field, targeting a production increase of 25 million cubic feet per day. Fenchuganj field now produces 20-25 mmcfd of gas.

After completion of the drilling, its production will be raised by another 20-25 mmcfd, official sources said. Of the Bapex-owned fields, Fenchuganj is presently producing 22.4 mmcfd of gas while Salda is producing 7.7 mmcfd and Shahbazpur 9.5 mmcfd. (The Daily Star, July 12, 2010)

CHINA: Chuandongbei gas production delayed to 2011 – CNR/49/16/16

An official from China National Petroleum Corporation (CNPC) said recently that first output from China's Chuandongbei sour gas development in Sichuan province is not expected until the end of 2011. The announcement is the second delay to the launch of the field, which is being operated in a joint venture with Chevron. Plans called for well drilling and the construction of two sour gas purification facilities, with a total design capacity of 7.65bn cubic metres per annum. The Chuandongbei development area includes the Tieshanpo, Dukouhe-Qilibei and Luojiazhai gas fields, and in total holds proven gas reserves of 176 bcm. In 2007, CNPC and Chevron stated that the field would begin producing up to 2bcm of gas as early as 2009. (Business Monitor, June 10, 2010)

INDIA: Highest rise in gas production worldwide in 2009 – CNR/49/16/17

India recorded the highest rise in natural gas output worldwide in 2009 after Reliance Industries' eastern offshore KG-D6 field came into production, BP Plc said. RIL began gas production from the Krishna-Godavari basin in April, 2009, and its 60 million standard cubic metres per day output led to a 75 per cent jump in natural gas availability in the country to 140 mmscmd.

"Last year, India had the highest increase in production of natural gas worldwide. And I just checked, it also had the highest corresponding increase in consumption in natural gas worldwide," BP Plc Group Chief Economist Christof Ruhl said.

"When you look at countries where gas production is heavily government controlled, like Russia, they had the biggest decline in gas production and consumption," he said. "When you look at countries where new technologies have been developed like unconventional shale gas in the US... it was because they have an investment environment which is very competitive," he said. (Economic Times, July 9, 2010)

INDIA: ONGC to develop several offshore oil and gas fields in the West Coast – CNR/49/16/18
Oil & Natural Gas Corporation's (ONGC) board gave recently the nod to plans for the joint development of the WO-5, WO-15, WO-16 and B 119/121 fields, off the country's west coast. "Development of the fields on a standalone basis or by using conventional production methodology was not deemed economically viable in the past," ONGC said. The four fields lie about 40 kilometres south of the producing Mumbai High field and host estimated in-place reserves of 8.57 million tonnes of oil and 11.024 billion cubic metres of gas. (Upstream Online, July 1, 2010)

IRAN: National Iranian Oil Co (NIOC) terminated recently its gas deal contract with South Korea's GS – CNR/49/16/19
Engineering & Construction (GS E&C) following the Korean firm's failure to fulfill its obligation. The gas deal is for sweetening gas from the South Pars gas field's phases 6 to 8. The firm has not fulfilled its obligations 10 months after signing the contract, which made the Iranian counterpart to call off the deal. (BTimes, July 5, 2010)

ISRAEL: Natural Gas Authority opposed to build an offshore terminal to receive Tamar field gas – CNR/49/16/20
National Infrastructures Minister Uzi Landau recently excluded the Dor beach as a potential site for a natural gas terminal to receive the gas from the Tamar offshore field. However, Landau is firmly insisting that the terminal will be built onshore. Moreover, the terminal will be located in a populated area in northern Israel, and not in Ashdod, the minister has decided. His directives would seem to narrow the options to three. The site of the Electrochemical Industries plant in Acre; another Acre site housing steelworks; or the Hadera industrial zone. The Natural Gas Authority, a unit of the National Infrastructures Ministry, issued recently a report opposing an offshore terminal, on the grounds that planning and building would take years and delay the supply of gas to Israel by two years, versus a land terminal. (Haaretz, July 4, 2010)

PROCESSING

NIGERIA: Gbaran-Ubie oil and gas processing project comes on-stream – CNR/49/16/21
The Shell Petroleum Development Company of Nigeria (SPDC) recently began producing oil and gas from the Gbaran-Ubie project in the Niger Delta. When fully operational in 2011, it will be capable of producing 1 billion standard cubic feet of gas a day, equivalent to about a quarter of the gas currently produced for export and domestic use in Nigeria.
The project's gas processing plant is now producing 200 million scf/d from the first two wells out of a planned total of 33. The project, which incorporates five oil and gas fields spread over a 650 square kilometre area of Bayelsa and Rivers states, has taken five years to build. Most of the gas will go to the Nigeria Liquefied Natural Gas plant in Bonny to support existing export contracts.
Power will be generated with gas from Gbaran-Ubie at the Bayelsa State power plant at Imiringi, as well as a new 225-megawatt power plant being built in Gbaran by the federal government. (Shell press release, July 7, 2010)

TRANSPORTATION-DISTRIBUTION

AUSTRALIA: Gasline expansion underway in South-West Queensland – CNR/49/16/22
Work has started on expanding the gas pipeline network in south-west Queensland. Epic Energy said it is duplicating more than 930 kilometres of its network that connects the Surat Basin to the Moomba gas fields in South Australia. Project manager Mike Boston said up to four kilometres of pipe is being laid each day but is not due to begin operating until 2012. (Yahoo News, July 12, 2010)

BANGLADESH: A 100-km pipeline will be built to transport gas from northeast fields – CNR/49/16/23
Bangladesh will build a 100-km pipeline to transport natural gas from three fields in the northeast of the country operated and being expanded by Chevron, a senior energy official said recently.
"We have decided to build the pipeline at a cost of $150 million as Chevron says production at the Moulavi Bazar, Jalalabad and Bibiyana gas fields will be more than doubled to 1,840 million cubic feet a day," said Mohammad Hussain Monsur, chairman of the state-run Bangladesh Oil, Gas and Mineral Corporation, or Petrobangla.
The increased production will be available by end of 2012, he said, Bangladesh at present faces up to 400 mmcf gas shortages a day, with the authorities supplying at best nearly 2,000 mmcf per day. (Reuters, July 11, 2010)

CANADA: Canada Energy Partners reports successful test of horizontal well in Montney – CNR/49/16/24
Canada Energy Partners Inc. announced recently the successful results of the horizontal Montney test located on its Peace River Project in northeast British Columbia. The Portage c-20-E well was tested at 1.7 to 2.7 million cubic feet per day with 579-1450 psi flowing casing pressure over an eleven day test. Sproule Associates Limited have estimated 171 BCF per section total gas- initially-in-place in the Upper Montney and Doig formations combined in the c-20-E well and 207 BCF per section in the Company's Portage 9-23-81-26 well. The Company's Joint Venture Partner on the Peace River Project has licensed the next horizontal well and the spud date is expected by mid-July 2010. (Canada Energy Partners press release, July 6, 2010)

FRANCE: GrDF selects Elster for first gas smart metering pilot program – CNR/49/16/25
Elster announced recently that Gaz reseau Distribution France (GrDF), a wholly-owned subsidiary of GDF SUEZ, has selected Elster to participate in France's first gas Smart Metering pilot. Elements from Elster's EnergyAxis® portfolio of solutions will be deployed as part of GrDF's advanced metering infrastructure (AMI) initiative, which is designed to evaluate different technologies and operational processes for grid modernization.
By testing different technology configurations in four different locations, GrDF plans to identify the best solutions to help it modernize its existing infrastructure and ensure compliance with the European Energy Efficiency Directive, together with the European Commission's Energy Efficiency Action Plan, requiring Smart Meters. Elster and GrDF will install various components from Elster's EnergyAxis® portfolio of solutions in approximately 23,000 households and approximately 5,000 businesses in Etampes, near Paris. The pilot installation is expected to be completed in mid-July 2010, and GrDF will collect and analyze the results from this and the other three pilot sites over the following six months to determine the next steps in their gas AMI deployment program.
"There is an estimated 370 million gas and electricity meters currently installed in Europe, which may need to be replaced to comply with the European Energy Efficiency Directive and achieve the targets pursuant to the European Commission's Energy Efficiency Action Plan. GrDF is taking a leadership role in bringing the benefits of AMI to its customers," said Michael Calovini, Elster's executive vice president of sales for gas in Europe. (PRNewswire, July 12, 2010)

GEORGIA: Prime Minister excludes sale of gas pipeline from Russia to Armenia – CNR/49/16/26
Georgian Prime Minister Nikoloz Gilauri refuted recently statements by opposition parliamentarian on planned sale of the gas pipeline laid via Georgia's territory. Gilauri said "It is possible that 10-15% of the pipeline's shares will be offered on London Stock Exchange in future". (Panarmenian, July 2, 2010)

JAPAN: Inpex to extend Shin Tokyo Line – CNR/49/16/27
Inpex announced recently that it has decided to extend another 19km of the existing Shin Tokyo Line. Upon completion of the extension, Shin Tokyo Line will be 213km long and will carry natural gas from Joetsu City, Niigata Prefecture to Fujioka City, Gunma Prefecture.
It will be connected at Fujioka City to the existing Tokyo Line which runs parallel with Shin Tokyo Line. The design will be 7.0Mpa of design pressure and 508mm of pipe diameter. The construction is expected to start in mid 2011 and completed by the end 2012 (Inpex press release, July 10, 2010)

RUSSIA: Gazprom and Belarus government sign protocol on Innovation Fund and gas supply and transit contract – CNR/49/16/28

Gazprom and the Government of the Republic of Belarus recently signed the Protocol on contributions by Beltransgaz, the joint Russian-Belarusian gas transmission company, to the Innovation Fund of the Republican Energy Ministry. Pursuant to the Protocol, the Belarusian party shall set the amount of contributions by Beltransgaz to Belarusian innovation funds in 2011–2012 at the level not exceeding the minimum contribution amount adopted in the Republic.

The Belarusian party guarantees not to impose individual taxes, charges and contributions on Beltransgaz. It is planned to use the funds released from a reduction in contributions to the innovation fund for underground gas storage facilities construction in Belarus. In addition, Gazprom and Beltransgaz signed the Addendum to the gas supply and transit contract for 2007–2011.

Due to the fact that the Belarusian party raised the 2010 wholesale mark-up for the gas sold by Beltransgaz to USD 11.09, as it was agreed on when Gazprom was purchasing a stake in the company, the rate for Russian gas transit via Beltransgaz owned networks will be equal to USD 1.88 per 100 kilometers in 2010. (Gazprom press release, July 2, 2010)

SPAIN: Naturgas Energia starts to fill the Bergara-Irun gasline – CNR/49/16/29

Naturgas Energia, a subsidiary of Portuguese utility EdP, started recently to fill its newly completed Bergara-Irun gas pipeline, which connects the Basque country to southern France through the border town of Irun. The third and final stage of the pipeline was completed in May 2010 , linking Villabona and Irun.

The capacity of the line is more than double its previous capacity, at 19 GWh/d, although a lack of investment on the French side of the border means that it is likely to transport only a fraction of that. Until it was closed for the recent expansion works, the pipeline was carrying 1-2 GWh/d.

The twin-directional pipelines are part of the larger Eskadour project, intended to link Bilbao's LNG regasification plant with France's Lussagnet gas storage facility. (Argus, July 1, 2010)

UNITED STATES: Inergy executes binding transportation agreements on MARC I Hub Line – CNR/49/16/30

Inergy, L.P. announced recently that its wholly-owned, regulated subsidiary Central New York Oil And Gas Company, LLC has executed the binding precedent agreements necessary for the filing of regulatory applications and construction of the previously announced MARC I Hub Line Project. Inergy's MARC I Hub Line Project and the previously announced North-South Project, when placed into service, will allow Inergy to wheel volumes on a firm transportation basis through approximately 75 miles of pipe to and from Tennessee Gas Pipeline Company's ("TGP") 300 Line ("TGP"), Transco's Leidy Line ("Transco"), and the Millennium Pipeline and all points in between. The two projects combined are expected to add over 45,000 horsepower of additional compression and 875,000 dekatherms per day of transportation capacity to Inergy's midstream business in the Northeast. The MARC I Hub Line Project is a 43 mile, 30" bi-directional pipeline located in Bradford, Sullivan, and Lycoming counties in Pennsylvania.

The planned pipeline will extend between Inergy's Stagecoach South Lateral Interconnect with TGP near its compressor station 319 and Transco near its compressor station 517. The MARC I Hub Line Project is expected to have a minimum of 550,000 dekatherms per day of firm transportation capacity. Inergy has reached commercial terms and executed precedent agreements with minimum ten-year terms with anchor shippers. Inergy has commenced a binding open season to determine the final size and scope of the project. Inergy expects to file a Natural Gas Act 7(c) application with the Federal Energy Regulatory Commission for a Certificate of Public Convenience and Necessity this summer. Inergy expects the MARC I Hub Line Project to be placed into service in mid-2012.

The planned North-South Project consists of adding additional compression and measurement facilities to the existing Inergy Stagecoach Laterals and when completed is expected to have firm transportation capacity of 325,000 dekatherms per day. The North-South Project is supported by long-term contracts and is expected to be placed into service by late 2011. (Business Wire, July 7, 2010)

UNITED STATES: Allied Energy agrees to connect gaslines with Atmos Energy in Texas – CNR/49/16/31

Allied Energy, Inc. announced recently that it has agreed with Atmos Pipeline, a division of Atmos Energy Corporation, to connect Allied's natural gas delivery system to Atmos' pipeline in Grimes County, Texas for the purposes of delivering and selling to the markets natural gas production from Allied's recent discovery.

In May 2010, the Allied Howard #1H horizontal well in Grimes County tested at a flow rate of 4,011 mcf of gas/day on a 20/64" choke with associated condensate.It is anticipated that the well initially will produce approximately 2,000 MCFGD and potentially higher in the future. The Company is currently underway constructing the production facilities and the gas flow lines, as well as preparing the project for ongoing producing operations. (Marketwire, July 9, 2010)

SUPPLIES - IMPORTS – EXPORTS

CHINA: Gas prices may be increased in some regions – CNR/49/16/32
According to Xinao Gas Holdings Ltd, China may raise retail natural gas prices in some regions before September 2010. Local governments in 14 provinces where the company operates may increase prices after wholesale costs were raised June 2010, Yu Jianchao, Xinao's finance director, said. The National Development and Reform Commission, China's top economic policy planning agency, raised recently wholesale gas prices 25 percent last month, the first increase in more than two years, to curb wasteful consumption. Distribution companies led by Xinao haven't been allowed to increase retail prices immediately to pass on the higher costs because "it takes time" to get through regulatory procedures, Yu said. China's gas demand may jump about 20 percent in 2010 because of economic recovery, according to Yu. Local governments may raise domestic retail prices by more than 0.2 yuan per cubic meter, Yu said. The timing and pace of any adjustments to costs paid by residential users will be decided after public hearings conducted by local governments, the NDRC said May 2010.

PAPUA NEW GUINEA: Petromin and Mitsui sign MOU to develop opportunities in gas-based industries – CNR/49/16/33
Papua New Guinea's Petromin PNG Holdings Limited, signed recently an MOU with Mitsui & Co Ltd, to jointly undertake feasibility studies designed to identify and establish new PNG businesses based on the country's gas resources. Petromin Managing Director and CEO, Joshua Kalinoe and Mr Shintaro Ambe, Managing Officer of Mitsui's Infrastructure Projects Business Unit said in a joint statement that Petromin and Mitsui want to see downstream businesses established which will create long term employment opportunities for Papua New Guineans. (Petromin press release, July 2, 2010)

SHARJAH: Gas demand rose by 30% in 2009 – CNR/49/16/34
Sharjah Electricity and Water Authority (SEWA) said recently that Sharjah's demand for natural gas rose by 30.8 percent in 2009 compared to the previous year as the emirate saw more industrial development. "Gas connection points saw a substantial increase to 156,859 in 2009 from 133,227 in 2008. Supply of natural gas pumped by gas stations to various Sharjah areas rose to 32.3 million cubic metres by the end of 2009 from 26.7 million cubic metres," said Tareq Demas, director of natural gas, SEWA. He said the Sharjah Piped Natural Gas Project was progressing "as schedule" and the network had reached the Emirates Industrial Area in Sajaa. "The gas network in the Sharjah city has stretched 1,600 kilometres. Connections are being laid down for the newly developed residential, commercial and industrial areas," he added. Another project within the framework of SEWA policy is to exploit the feasibility of natural gas as an efficient fuel, and is looking at the use of compressed natural gas (CNG) as fuel for vehicles instead of petrol. (Arabian Business, July 11, 2010)

UNITED KINGDOM: Norwegian gas should compensate domestic declining production – CNR/49/16/35
National Grid said recently that more Norwegian pipeline gas and imported liquefied natural gas should help compensate next winter for the decline in Britain's own gas output. In its winter outlook consultation, National Grid said Britain should get 342 million to 412 million cubic metres of gas per day next winter, excluding storage withdrawals, with a 9% drop in UK field output offset by average flows of around 60 MMcmpd from LNG terminals and more pipeline supply from Norway's new Gjoea field.
"The biggest supply uncertainty for next winter is LNG where capacity is further increased," the company said, adding that although LNG import capacity could exceed 140 MMcmpd, it had assumed a range of 30 MMcmpd to 100 MMcmpd. The UK could potentially receive more than National Grid's 412 MMcmpd top-end estimate if large amounts of LNG are delivered or the two-way Interconnector pipeline link with Belgium is used for importing to Britain, it said.

Total weather corrected-demand for last winter, which in the gas market covers the period from 1 October to 31 March, was 6% higher than in winter 2008-2009, as increased burning by power plants offset weak industrial demand because of the recession, the network operator said. (Upstream Online, July 1, 2010)

UNITED STATES: Alaskan legislators discuss extension of gas export license – CNR/49/16/36

Legislators encouraged recently Southcentral residents to have a say in their future energy needs. Seven members of the State House and Senate said ConocoPhillips needs to assure a local supply of natural gas for the region before getting an extension of its export license. ConocoPhillips and Marathon Oil have applied for a new permit to extend the time allowed to ship 98 billion cubic feet of gas under a permit granted in 2008 – about 40 billion cubic feet remain. While not opposing the export permit, Anchorage Democrat Bill Wielechowski said Alaska needs to make certain it takes care of its own before shipping more gas to Japan. Enstar is Anchorage's local natural gas utility. Under federal law, local needs must be met before export is allowed, and Wielechowski predicts that after shortages in 2011 and 2012, more than a third of the region's needs will be unmet in 2013. The application Conoco Phillips has filed with the US Department of Energy says the new permit will not provide more gas for export than was allowed under the current permit. The company also promises to provide a back up supply for local needs. Without the permit, there is a risk the company would cut off year-round production because of market conditions – making the export permit the key to actual expansion of supply and future energy security. (APRN, July 8, 2010)

UNITED STATES: EIA publishes "Natural Gas Year-In-Review 2009 – CNR/49/16/37

The Energy Information Administration (EIA) recently published its Natural Gas Year-In-Review 2009. This report provides an overview of the natural gas industry and markets in the United States in 2009 with special focus on the first complete set of supply and disposition data for 2009 from the Energy Information Administration (EIA).

All data for 2009 should be considered preliminary and, unless otherwise noted, are derived from weekly and monthly EIA products. Final data for 2009 will be published in the Natural Gas Annual 2009, which is scheduled to be released in December 2010. (EIA press release, July 8, 2010)

More information:http://www.eia.gov/pub/oil_gas/natural_gas/feature_articles/2010/ngyir2009/ngyir2009.html

STORAGE

UNITED KINGDOM: eCORP International to invest in Islandmagee UGS project – CNR/49/16/38

The directors of Islandmagee Storage Ltd (IMSL) announced recently that eCORP International is to make a significant investment in the project. Plans for the 500 million cubic metres natural gas storage facility constructed in Permian salt beds a mile beneath Larne Lough were first submitted in March 2010. Drilling will start in 2011 with the first gas stored there in 2015 if planning permission is approved. eCORP has committed to investing £13.5m to earn a 40% interest in the project. Its investment will fund the project development costs up to the construction phase. Following the deal, the interests of the existing partners in the project — Infrastrata plc and Mutual Energy Ltd — will reduce to 39% and 21% respectively. (Belfast Telegraph, June 30, 2010)

CONSUMPTION

MIDDLE EAST: Gas demand to rise at around 5 percent per year – CNR/49/16/39

Malcolm Brinded, Shell's executive director for international upstream, said recently that natural gas demand in the Middle East was growing at such a rate that by 2015, total consumption in the Middle East and North Africa (MENA) would be close to that in major European economies.

Middle East gas demand was rising at around 5 percent per year, a similar rate to growth in China, he said. By 2015, demand in MENA would be close to 60 billion cubic feet per day, he said. Brinded said: "Domestic demand is growing, fuelled by economic growth, low gas prices and a gradual switch from oil to gas for power generation. As a result, some Middle East countries face natural gas shortages". While global gas markets suffer a glut, the only country in the Gulf with gas to spare is Qatar.

Demand for gas has grown rapidly across the region, especially among oil producers that have witnessed a petrodollar fuelled boom. The world's top oil exporters have been slow to develop their gas resources to meet the needs of their own economies. Of Saudi Arabia's 260 trillion cubic feet of gas reserves, around 60 percent is at oilfields, Brinded said. Production of that gas is limited by Saudi Arabia's adherence to OPEC oil curbs. Of the remaining 100 trillion cubic feet, about 75 percent is tight gas or sour gas, leaving only 25 trillion cubic feet of conventional gas that is not linked to oil output.
Developing the gas would require the region's governments to pay higher gas prices to encourage international firms to undertake the projects, he said. Internal gas prices in most of the region are subsidised and below benchmark international prices. (Arabian Business, July 5, 2010)

USE FOR POWER GENERATION

BANGLADESH: Wärtsilä to supply equipment for two new power plants – CNR/49/16/40
Wärtsilä recently received equipment orders for two new power plants to be supplied to customers in Bangladesh. Summit Naryanganj Power Co. Ltd, an independent power producer (IPP), has ordered Wärtsilä 46GD gas-diesel engines and auxiliary equipment for its Naryanganj power plant project. Although the site does not currently have access to gas supplies, the dual-fuel engines can be switched from heavy fuel oil operation to gas at a later stage when gas eventually becomes available. Another IPP, Khulna Power Unit II Ltd., has ordered Wärtsilä 46 engines and auxiliary equipment for its Khulna Extension project. The power plants are scheduled to be in operation as early as March 2011. (Wärtsilä press release, June 21, 2010)

JAPAN: Ohgishima Power Co. starts construction of Ohgishima Power Station Unit 2 – CNR/49/16/41
Ohgishima Power Co., Ltd., a subsidiary of Tokyo Gas Co., Ltd. and Showa Shell Sekiyu K.K. recently completed construction of the Ohgishima Power Station Unit 2 in Yokohama, Kanagawa Prefecture and started to supply electric power on a commercial basis.
The gross output is 814,200kW. The Unit 1 and Unit 2 each have a gross output of 407,100kW. Construction schedule for Unit 3 (407,100kW) is not yet specified. (Tokyo Gas press release, July 12, 2010)

PORTUGAL: Galp Energia sets up partnership for Sines' CCGT development – CNR/49/16/42
Galp Energia signed recently an agreement with a subsidiary of International Power plc (IPR) for the development of the combined cycle gas turbine plant (CCGT) at Sines. Through this agreement Galp Energia hands over 50% of the company currently developing the CCGT project at Sines, which was formerly 100% owned by Galp Energia, to IPR. Subject to the approval of the relevant authorities, completion of the transaction is expected to occur by the end of 2010. The CCGT will be operated by the company equally owned by Galp Energia and IPR. Additionally, Galp Energia will be responsible for the supply of natural gas and the commercialization of the electricity generated by the plant.

CEDIGAZ NEWS REPORT is an internal publication of CEDIGAZ, edited by Thierry Rouaud with collaboration of Catherine Charlier.
1 et 4, avenue de Bois Préau, 92852 Rueil-Malmaison Cedex, France
Tel. +33 1 47 52 60 12 - Fax +33 1 47 52 70 14
Website : http://www.cedigaz.org Contact : info@cedigaz.org